hoardroom tat cats

A new survey of every company trading on the London Stock Exchange, carried out by The Times, has turned up fascinating facts on everything from the very top earners to political donations. FRASER NELSON reports.

im Fifield was always paid to be top of the charts. As EMI's head of music, he looked after everyone from Robbie Williams to the Spice Girls and ensured the British record label kept the hits coming.

But in the past three years, Fifield has himself been coming straight in at number one in a different chart. Since 1996, he has stood out as the bestpaid director of any Londonlisted company — and now, 15 months after parting company with EMI and returning to his native America, he has done the same again in 1999.

The Times has conducted a survey of every one of the 2,533 companies trading on the London Stock Exchange — the first such survey of its kind and has drawn up a definitive league table of the fattest boardroom cats.

The exhaustive survey, based on information filed in company annual reports, unravels the pay of the highest earners and includes a raft of other data, including details of political and charitable donations. The footnotes to the accounts lay bare the kind of information that is rarely disclosed when Britain's blue chip companies turn in their annual figures.

The findings make compelling reading. By including every listed company it is possible the answer is simple. to demonstrate the way in which smaller UK companies have been far outstripping their larger rivals in the pay stakes.

The third best-paid director, for instance, is neither FTSE 100 chief nor famous industrialist, but a former computer programmer — the man who invented Lara Croft, the hero-

ine of Tomb Raider. Jeremy Heath-Smith of Eidos has swept past the likes of Bob Ayling of British Airways and £3.95 million last year — all for creating the world's most famous digital sex symbol.

Heath-Smith, 38, is not the only director of a small company to make a surprise appearance in the million-a-year club. Rod Hare, the former managing director of Dorling Kindersley, collected £1.29 million from the publishing house run from a small office in London's Cov-

ent Garden.This included £1.15 million in share options.

No fewer than 48 executives are now taking home more than £1 million a year — often through pay-offs rewarding failure. Even some directors who survived a less-than-glowing performance take their place at the top of the pay league.

Examples include Bass, the brewing and leisure group, which had a pretty dismal 1998. Its shares fell by 16 per cent and its operating profits by 11 per cent in the same period that Sir Ian Prosser, the chief executive, picked up £1.63 million — including £717,000 in long-term bonus

and £914,000 salary.

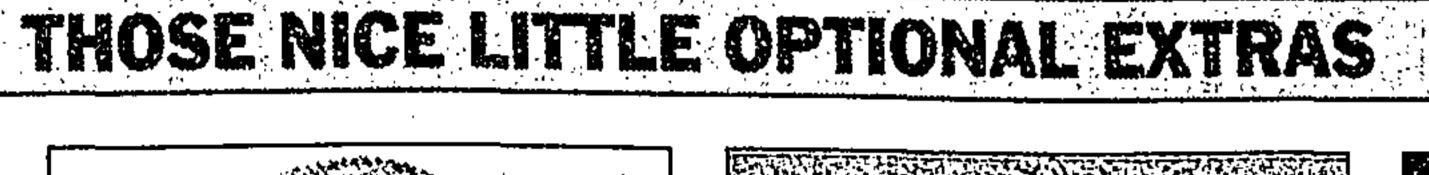
Colin Smith, chief executive of Safeway, takes the cake as Britain's highest-paid supermarket chief, even though Safeway had a dismal 1998, losing £1.6 billion of shareholder value as its shares tumbled 34 per cent. Safeway says that £599,000 of Smith's pay included a bonus from a time when the company was doing well, and was never meant to reflect a year when it was losing market share hand over fist.

It is not just the chief executives who are cashing in. Who, one might reasonably ask, is Lawrence Fish, and what did he do to earn £3.3 million at Royal Bank of Scotland?

Fish, like Jim Fifield, is working in America, where attitudes to pay are altogether more cavalier. He heads RBS's highly successful Citizens Financial Group. RBS says Fish is paid the going rate. "His salary is dictated by those of his peers in the US and by the performance of his company. He's taken our assets there from \$3 billion to \$28 billion, so we would say he's worth it."

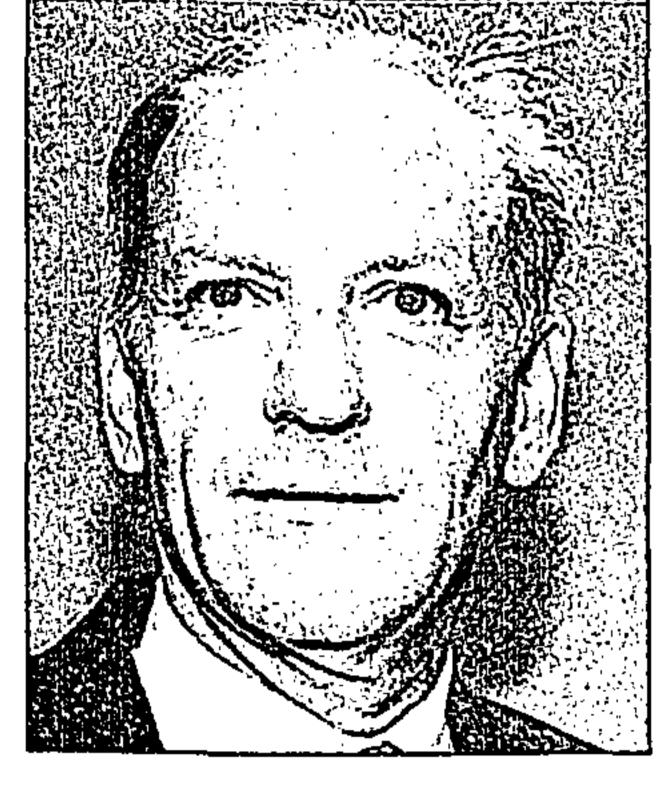
Our survey excludes the BT's Sir Peter Bonfield to collect likes of dividend payments which are seen as a reward for investors, not businessmen and ignores the potential billions that can be triggered by share options in a takeover. But it takes in cash from longterm bonus schemes and includes benefits in kind.

Licking up the cream may have become more sophisticated, but Britain's fat cats are in better health than ever.

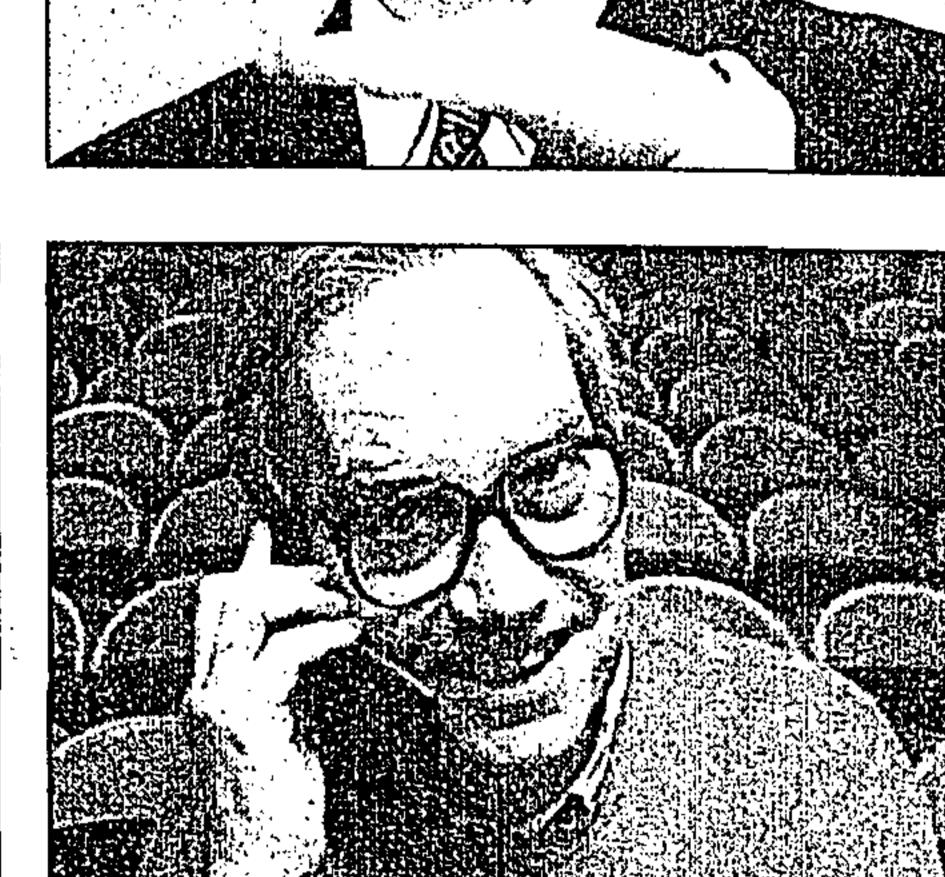












Earning power: Paul Chisholm, left, and clockwise, Jim Hynes, Jean-Pierre Garnier, Jan Leschly, Chris Gent, Hugh Collum and Mike Grabiner

aul Chisholm, the quietly spoken Bostonian who runs the Roman Catholic priest that he nearly became than a fat cat. Yet he is set to beat such thrusting business leaders as Jan Leschly, the tanned charmer who runs SmithKline Beecham, and Chris Gent, the laid-back brains behind the revitalisation of Vodafone, to become Britain's first £100 million manager.

Chisholm, 50, who spent three years studying for the priesthood before leaving to work as a telephone salesman, is currently sitting on an unrealised potential gain from his share options worth £90.3 million. On top of this, he was paid a salary and bonus package of £411,000 last year. If the £10.8 million that he picked up from selling part of his shareholding in the company is added, this comfortably takes his potential gains from running the telecom-

munications group past the £100 million mark. This compares with a turno-COLT Telecom, is more like ver last year for the burgeoning group of just £215 million, although it is predicted to have sales of more than £400 million this year and £700 million next. It will not make a profit until at least 2002.

Chisholm's remuneration package is heavily dependent on COLT meeting some strict growth targets — although it is ahead of schedule, so this should not be a problem. The institutional investors appear to be happy with Chisholm's compensation. "The only shareholders who complain are ones who do not have COLT shares," quips John Doherty, the group's corporate communications director.

This growth has accelerated Chisholm past the senior executives at that well known home of fat cattery, the drugs group, SmithKline Beecham. The generosity of SB to its

senior managers was cited as one of the reasons why the group's proposed merger with Glaxo Wellcome fell apart last year. Leschly, SB chief executive, along with the chief operating officer and the chief financial officer (who has recently retired), all continue to reap the benefits of packages running to the tens of millions.

t is significant that COLT and SB have strong connections with America — COLT was founded by Americans and SB is essentially run from its US headquarters. Tony Groom, an executive compensation expert at the actuaries William M Mercer, points out that 15 US companies have already paid senior execu-

tives more than £100 million each. "British remuneration is moving towards the US model where you have a lower basic salary but higher potential packages from bonus and share

incentives," says Groom. "The gains in the UK are more intensely subject to meeting performance criteria, and four years on from the Greenbury report into executive pay the real debate is about what those performance measures should be."

The worries that many institutional investors have about these large remuneration packages is that the performance measure depends too greatly on the share price of the company something that the executives often have little control over. That is why four of our £10 million managers are in the telecoms sector.

The sector is home to a whole series of fat cat executives running former state-owned assets, including BT, Cable & Wireless and Energis — a point that will not be lost on Stephen Byers, the Trade and Industry Secretary.

JASON NISSÉ

/lanager	Company	1998 Base Salary	1998 Annual Bonus	Estimated value of unrealised share option gains	Estimated value of restricted shares	Total remuneration package
	A CONTROL OF THE PROPERTY OF T		A DECEMBERATE DE LE COMPANIE DE LA C	THE ASSESSMENT ASSESSM	Committee with the particular production of the committee	or - and entremental descriptions of the second
aul Chisholm	COLT Telecom	£231,500	£180,400	£90,324,000	£0	£90,735,90
an Leschly	SmithKline Beecham	£814,000	£1,073,000	£69,203,000	£9,202,000	£80,292,00
im Hynes*	COLT Telecom	£O	£O	£51,728,000	£O	£51,728,00
ean-Pierre Garnier	SmithKline Beecham	£510,000	£536,000	£21,285,000	£4,058,000	£26,391,00
lugh Collum*	SmithKline Beecham	£363,000	£67,000	£15,462,000	£2,295,000	£18,187,00
Aike Grabiner	Energis	£288,750	£126,850	£13,753,000	£O	£14,168,60
hris Gent	Vodafone	£587,000	. £0	£10,267,000	£O	£10,854,00

Thriving in a world of virtual reality

an office block on wad of sub-contracts. needle Street, a group of 23 corporate financiers meet every day to constitute what has become the highest-paying quoted company in Britain.

They all have MBAs, CVs the length of War and Peace and between them they speak every European language. Last year, on average, they took home £287,000 each.

Welcome to Intermediate Capital Group, a finance house that has emerged as the highest-paying quoted company in *The Times* survey of corporate pay. Tom Attwood, its managing director, is happy to cultivate the firm's low profile, while acknowledging Intermediate's status. "It's not something that we would particular- ers put together. ly want to be famous for," he says. "But the sums do probably make us out to be that. We recruit the very best, and we run a very tight team who have done very well over the years."

Intermediate Capital Group is just one of 50 quoted companies who get by on a staff of 50 or less. One of the most startling results to emerge from our review of annual reports is the proliferation of "virtual companies" — in effect, a small

group of managers with a thick

the north side of Eskmuir Properties, a £130 million commercial property company which floated last year, is in effect five blokes who watch property prices go up. They choose when to buy and when to sell with amazing

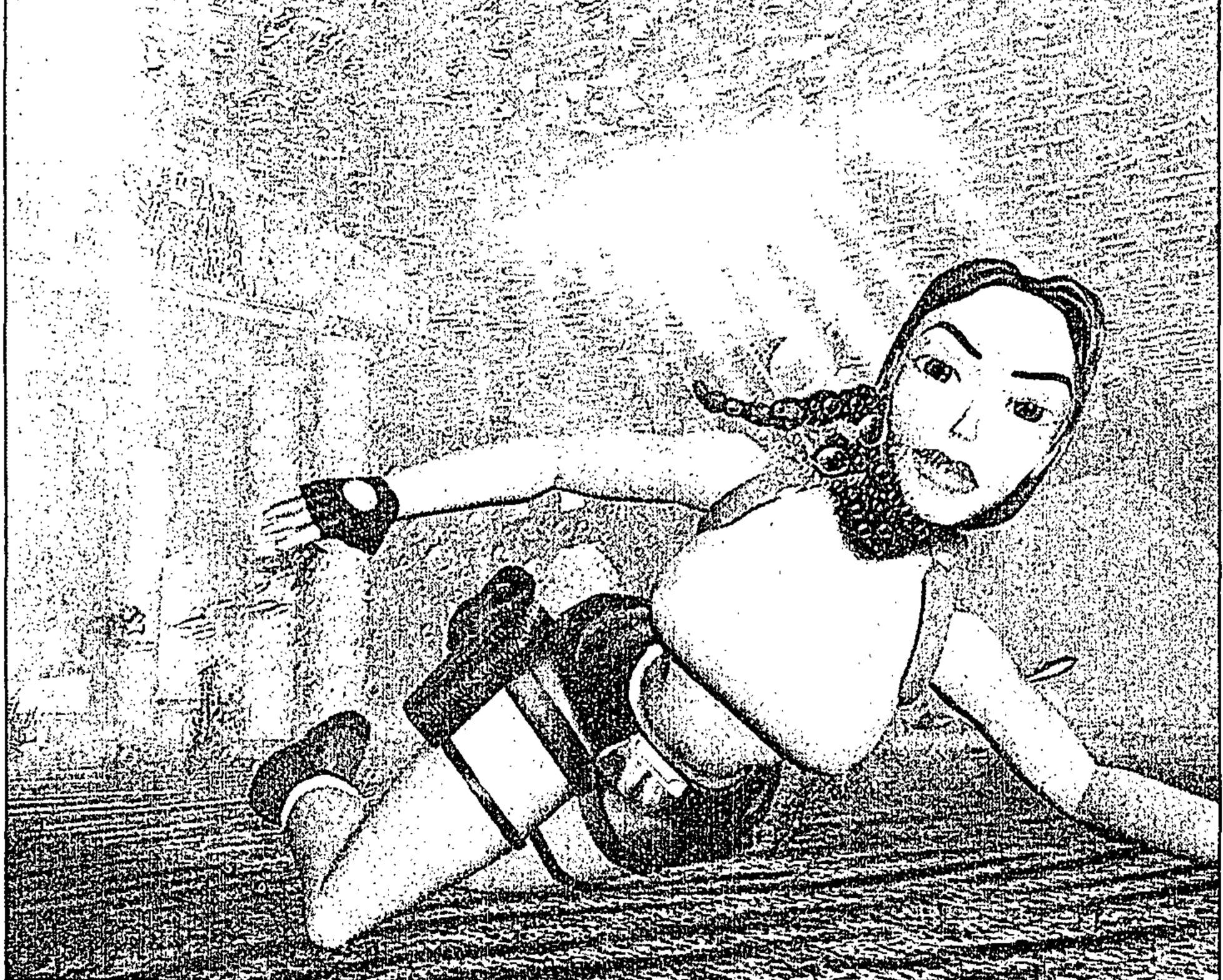
KS Biomedix, a £190 million Malaysian-controlled company that develops medicines from sheep, gets by on a staff

Porterbrook Leasing, a former part of British Rail which owns about one in three railway carriages in the country, is by far the most profitable of Britain's virtual companies. Now owned by Stagecoach,

it employs at most 46 workers who make more profit than Stagecoach's 30,000 bus driv-

We have also taken a look at companies that cream the most profit from their customers. Surprisingly, the league table features neither the utilities nor the supermarkets, but industries thought to be either desti-

Top of the list for independent companies comes Clydeport, the Glasgow port operator based along the river from the same Govan shipyard whose workers this week came



Lara Croft, heroine of a virtual world, has produced very real profits for her creator

within an inch of redundancy. tute or fiercely competitive. Few would think there is much money to be made in the port industry, but last year, Clydeport took 42p of straight profit from every £1 it charged its customers. Its secret is be-

ing another "virtual company" — employing only 195 workers who concentrate on winning contracts while sub-contracting much of the heavy industri-

Next comes Macro 4, a soft-

ware company, which last year effectively took 41.5p of profit for every £1 of takings. Last year's profits were £10 million on sales of £24 million. Aston Villa Football Club is

also in the top ten after an

Even after paying for players, directors and upkeep of the ground, it still took 37p of every £1 taken in season ticket money as straight profit. In 1997, however, it failed to so

amazingly profitable 1998.

much as cover its costs. Monsoon emerges as the most effective profit-creaming retailer — buying cheap and selling high to take a typical £13.70 straight profit from each £45 dress.

Judging from last year's results, Next would have made £8.10 of pre-tax profit from selling the same item. New Look would have made £4.95 and Marks & Spencer £3.15. Laura Ashley, by contrast, would

have made a £4.95 loss. But despite the juicy margins, many companies are less than generous when it comes to giving the money away. Racal Electronics, which gave £75,000 in political donations last year, has ceased paying them in 1999.

The trend in charitable donations, too, is telling. Almost every quoted company gave a donation of sorts. BP Amoco's £39 million figure is still less than 1.5 per cent of its profits, but more than tight-fisted Logica, which spared none of its £41.8 million of corporate profits for charity.

The survey also reveals that Michael Ashcroft is not the only businessman who likes to give money to politics.

Today's companies still find it "within shareholders' interest" to donate funds to political parties — although the picture is dramatically different compared with ten years ago.

When the 1989 annual reports came in, there were 136 companies who gave political donations. Taylor Woodrow topped the list with £132,000. followed by P&O (£100,000)

and Allied Domecq (£97,000). The survey found that last year only ten quoted companies gave money to politicians — and the amounts had slumped. Caledonian Investments gave £50,000, Slough Estates £26,500 and Tarmac the PFI contract company loyal to the Conservatives — gave £20,000. Sun Life & Provincial gave. £15,000 each to the Conservative and Labour parties "to allow the democratic proc-

ess to continue." The last finding of the survey could potentially be the most intriguing — according to the accounts of Daily Mail & General Trust, which owns the *Daily* Mail, a tidy £1,000 was given away as a political donation. Additional reporting by

Sally Narraway

	name of company	annual	profit per second	for year ending
1.	British Telecom	£4.3 bn	£136.19	31/03/99
2.	HSBC	£3.96 bn	£125.64	31/12/98
3.	Unilever	£3.08 bn	£97.82	31/12/98
4.	Lloyds TSB	£3.01 bn	£95.61	31/12/98
5.	BP Amoco	£2.92 bn	£92.62	31/12/98
6.	Glaxo Wellcome	£2.67 bn	£84.70	31/12/98
7.	NatWest Bank	£2.14 bn	£67.92	31/12/98
8.	Barclays Bank	£1.92 bn	£60.82	31/12/98
9.	Cable & Wireless	£1.82 bn	£57.78	31/3/99
10.	Halifax Group	£1.7 bn	£54.07	31/12/98

name of director	name of company	top	for year ending	reason
1. Jim Fifield	EMI	£6.7m	31/03/99	£6.27m payoff
2. David Gruber	MEPC	£6.29m	30/09/98	£5.2m bonus, £760k payof
3. Jeremy Heath-Smith	Eidos .	£3.95m	31/03/99	£3.7m bonus for Lara Croft
4. Lawrence Fish	Royal Bank Scotland	£3.3m	30/09/98	£2.75m bonus
5. Charles Brady	Amvescap	£2.76m	31/12/98	£2.41m bonus
6. Michael Slade	Helical Bar	£2.75m	31/03/99	£850,000 bonus
7. Martin Taylor	Barclays	£2.54m	31/03/99	£1.5m payoff
8. Sir Peter Bonfield	BritishTelecom	£2.53m	31/03/99	£1.15m deferred bonus
9. Robert Mendelsohn	RoyalSunAllince	£2.37m	31/12/98	£1.3m golden hello
10. Roger Stoll	BOC Group	£2.18m	30/09/98	£1.83m payoff

name of company	number of employees	which is the population of	average salary*
1. Unilever	267,000	Newcastle	£12,840
2. Tesco	198,000	Northampton	£12,500
3. J Sainsbury	179,000	Luton	£15,500
4. Compass Group	155,000	Blackpool	£9,070
5. HSBC Holdings	145,000	Oxford	£22,700
6. Invensys	131,000	St Albans	£18,130
7. Rentokil Initial	130,000	Stafford	£9,420
8. British Telecom	125,000	Norwich	£26,950
9. BAT	113,000	Chester	£9,130
10. Kingfisher	110,000	Exeter	£15,250

DIARY

neat

NASTY scenes at Quo Vadis, where a City party was ejected from a business dinner by Marco Pierre White, the tempestuous chef. There are two versions of events. MPW's people say the members of the party were noisy and had been drinking "a lot" and the chef

asked them politely to be quiet. The party was hosted by Jemima Spencer-Davies, head of trading at a large Scandinavian broker, who says MPW was so rude that he reduced her to tears and that they were told they shouldn't be eating at a restaurant like that.

Fernando Peire, a partner of MPW who runs Quo Vadis. admits he wasn't in earshot but says: "He would rather they ate elsewhere and that they told their friends to, in view of their behaviour."

So there: why don't you decide? Is it remotely credible that MPW was rude to anyone? I put forward one piece of supporting evidence. Peire claims Spencer-Davies is "nine months pregnant". She is nothing of the kind.

Better still, why don't we all boycott all his restaurants until he learns some manners?

CHARLES ALLEN, the Granada chief executive, gave an insight into his management philosophy at a lunch at the Savoy convened by Arena, the catering industry networking group. He said every manager should achieve at least five tasks a day. How did that chime with Gerry Robinson, his chairman, and his laidback view that no executive need do more than three jobs a day, he was asked? "Ğerry gives me two of his five," Allen shot back.

Inside story

KNOW we have all had enough of Nick Leeson, but I could not resist the following, courtesy of a City figure who shares the rogue trader's inexplicable fascination for Manchester City. One of Leeson's few links with the outside world during his imprisonment was a series of letters to the football club's fanzine.

These comprised an account of his time inside with all the grisly detail that set off a bidding war among the British tabloids for his story. The newspaper that finally paid £100,000 for the "story" could have saved itself the money.

THEY are big on modern art at the rebuilt Winchester House, as I learn from the opening ceremony at London Wall yesterday. Deutsche Bank, the owner, has various bits of rubbish around the place including the inevitable Damien Hirst. There is even an Anish Kapoor. This ultratrendy sculptor specialises in smooth, reflective steel balls with holes in them — you have seen one even if you don't know it. Unlike most modern art, the one at Winchester House proved to be wholly functional at a staff party there. Someone was discovered asleep inside it.

Son shines

WHAT of Sir Paul Judge, who led the 1986 Premier Brands buyout? According to an interview in the ever-reliable Real Business, he is about to emerge with BevStar, a desktop drinks dispenser made by a company in which he has a holding.

But Judge's main concern these days is management training — he gave Cambridge £8 million to help to found a business school. He tells a story about Sir Adrian Cadbury, who was discussing his son's future with his housemaster at Eton.

Cadbury said that he was thinking about a career in business or manufacturing. The housemaster replied: "That's very interesting, Adrian, but rather a pity because he's a very bright boy."

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